

VZCZCXRO1635
RR RUEHDE RUEHDH RUEHDIR
DE RUEHKU #0336 0971354
ZNR UUUUU ZZH
R 071354Z APR 09
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3145
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS KUWAIT 000336

SENSITIVE
SIPDIS

STATE FOR NEA/ARP, EEB/IFD/OMA, EEB/EPPD
TREASURY FOR INTERNATIONAL AFFAIRS

E.O. 12958: N/A

TAGS: [EFIN](#) [EINV](#) [ECON](#) [KU](#)

SUBJECT: KUWAIT BOURSE SUSPENDS ALMOST ONE FIFTH OF TRADED FIRMS

REF: KUWAIT 202
KUWAIT 111
KUWAIT 8

¶1. (U) The Kuwait Stock Exchange (KSE) announced April 1 the suspension of 36 companies, including giants Global Investment House (GIH) and Investment Dar, for failing to file their 2008 financial results by March 31. With 210 companies traded on the KSE (the second largest bourse in the Middle East), the affected companies account for 17% of Kuwait's publicly traded firms. KSE officials state that the affected firms' shares will recommence trading once 2008 results have been declared.

¶2. (SBU) Post's sources indicate that two main factors account for the large number of firms failing to disclose their 2008 results on time. First, some companies, in particular investment firms, suffered massive losses in 2008 and are reluctant to announce the magnitude of such losses. Second, many publicly traded Kuwaiti companies' management teams are in protracted discussions - i.e., disagreement -- with their auditors regarding methodologies and standards for accounting for losses; many such discussions were not resolved prior to March 31.

¶3. (SBU) Investment firm officials have told econoffs that relatively lax bourse regulation in Kuwait probably contributed to the high number of companies refusing to disclose their 2008 results in a timely fashion. Kuwait's bourse is the only GCC exchange not governed by a regulatory agency, and filing requirements (for quarterly and annual financial results disclosure) fall short of international standards. Local media reports in late March indicated that the Council of Ministers is considering promulgating a law establishing a stock market regulatory body via Amiri (emergency) decree in the coming weeks. (Note: draft legislation to create such a regulator has been with the National Assembly since last year, having fallen prey to the ongoing tensions between the executive and legislative branches. End note).

¶4. (U) The KSE also announced April 2 that it may consider suspending other companies if they fail to pay dividends on time and if they fail to hold annual shareholder meetings. The KSE did not name any companies who face such sanction.

¶5. (U) In addition to the debt laden GIH and Dar Investment, other major firms affected by the suspension include: Al-Mal Investment Co., a firm controlled by Nasser Al-Kharafi, the brother of the Speaker of the National Assembly; Noor Financial Co.; Kuwaiti conglomerate National Industries Holding Group's investment arm; and Aayan Leasing and Investment Co.

¶6. (SBU) Comment: Per Post's previous reporting, the KSE's sanctions against these 36 firms demonstrate the extent to which a relatively large number of Kuwaiti investment companies have been hit by the global financial crisis (reftels). Companies' unwillingness to reveal their 2008 losses indicates that GIH and Dar Investment may not be the only large Kuwaiti investment firms threatened with

near-term insolvency. The KSE has enjoyed a rally of sorts since the announcement of the suspensions, though this may also be attributable to GCC-wide bourse rallies. End comment.

JONES